

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company
To Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design.

U 39 M

Application No. 16-06-013
(Filed June 30, 2016)

**FOURTH STATUS REPORT OF PACIFIC GAS AND ELECTRIC COMPANY
ON BEHALF OF SETTLEMENT DISCUSSION PARTIES**

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Dated: June 22, 2017

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I. INTRODUCTION

Pursuant to the Administrative Law Judge's (ALJ) ruling, dated March 31, 2017, granting the parties' joint request for a suspension of the original schedule for Phase II of PG&E's 2017 General Rate Case (GRC), PG&E submits this fourth report on the status of settlement discussions in this proceeding. This is a follow-up to the prior status reports filed on April 17, May 8, and June 1, 2017. PG&E presents below the required information on settlement status, as of June 21, 2017, in as much detail as possible consistent with the confidentiality provisions of Rule 12.6 of the CPUC's Rules of Practice and Procedure.

By way of overview, PG&E is pleased to report that the parties have reached a settlement in principle on revenue allocation, with some related issues yet to be resolved. Furthermore, the parties interested in E-CREDIT rate design have similarly reached a settlement in principle. Formal settlement agreements are now in the process of being drafted on those issues, for execution and filing as soon as possible. In addition, considerable progress has been made on both Master Meter Discount rates and the Economic Development rate, along with a range of other rate design issues. The good faith settlement discussions to date have been collaborative, positive and productive.

Because these settlement discussions have now begun to bear fruit, PG&E and the parties believe additional time should be provided to allow ongoing discussions to continue, in order to support further agreements on the wider range of issues. Doing so can significantly narrow the focus of any hearings that may ultimately be necessary on remaining issues unable to be resolved through settlement. A further reason to allow more time is practical – in recent weeks, as is often the case during the summer, the parties have begun to find the process of scheduling meetings more challenging.

Accordingly, PG&E, on behalf of the parties, respectfully requests that the ALJ granting a further continuation of the previous schedule, to allow additional time for settlement discussions. Such extension would be subject to the requirement that settlement status reports continue to be filed every three weeks, in order to keep the parties and the CPUC apprised of progress. The parties provide a specific schedule for such reports in Section III. below.

II. STATUS UPDATES BY ISSUE

A. Marginal Costs and Revenue Allocation

Since the initial settlement conference on March 24, 2017, the parties have been exploring possible approaches to a potential settlement on Marginal Costs and Revenue Allocation (MC/RA), through a series of subsequent, regular conference calls. Earnest negotiations progressed steadily, in a collaborative and positive manner.

After intensive discussions, based on model runs to analyze different scenarios to help assess a range of settlement possibilities, the parties are pleased to report that they have reached a settlement in principle on revenue allocation, with some related issues yet to be resolved. The next conference to resolve related issues is set for June 29.

PG&E has begun the process of drafting a MC/RA settlement agreement, and, based on prior experience, expects that the process of finalizing and executing the MC/RA agreement may take several more weeks before it can be filed. In previous

PG&E GRC Phase II proceedings, the parties filed settlement agreements serially, as they were completed, and PG&E proposes to do so here as well, to avoid having to wait for all issues to be discussed and agreed to before presenting the CPUC with the agreements on issues already settled. Typically, the MC/RA settlement has been filed first, followed by supplemental settlements on various rate design issues. The ALJ's proposed decision would then encompass the entire group of related settlements, for a single final CPUC decision on all GRC Phase II issues.

B. Rate Design Issues

PG&E compiled a list of 13 settlement sub-groups to help organize and guide settlement discussions, and asked the parties to indicate each sub-group on which they are interested in participating. The sub-groups are responsive to the issue areas that various settlement parties want to discuss. These settlement sub-groups may eventually be combined or revised, to some extent, to reduce the number of formal settlement agreements. Some parties have expressed desire for different or additional sub-groups. Those sub-groups are:

PG&E 2017 GRC Phase 2 Settlement Sub-Groups
1. Marginal Cost and Revenue Allocation
2. Residential Rates
3. Small Light and Power Rates
4. Medium and Large Light and Power Rates
5. Agricultural Rates
6. Standby Rates
7. Economic Development Rates
8. DA/CCA Fees
9. E-CREDIT
10. Master Meter Discount
11. Streetlight Rate Design
12. TOU Transition (solar)
13. TOU Transition (non-solar)

In the past, discussions on most rate design issues have begun in earnest once an agreement in principle was reached on marginal costs and revenue allocation. However, the parties have identified certain discrete rate design settlement discussions that may be able to be accelerated:

1. Streetlight Rates (Sub-Group 11)

On April 6, 2017, the sub-group of parties interested in streetlight rate design held its first settlement conference on Streetlight Rate Design issues. The meeting was quite productive, with several issues identified that are uncontested. The parties have been reviewing relevant information, and a second meeting is being scheduled June 27.

2. Economic Development Rate (Sub-Group 7)

PG&E has held two settlement conferences on the Economic Development Rate (EDR) on May 10, 2017 and May 30. Exploration of settlement is proceeding in good faith, with discussion amongst the interested parties making progress seeking to identify whether and if so what EDR issues might be able to be settled. The next meeting is scheduled for June 26.

3. Schedule E-CREDIT (Sub-Group 9)

PG&E has contacted the parties interested in settlement on Schedule E-CREDIT to assess the potential for settlement. An agreement in principle on this issue has been reached, and PG&E has drafted proposed settlement agreement language. Once filed, this settlement would be consolidated with other settlements.

4. Master Metered Rates (Sub-Group 10)

PG&E has held three settlement conferences on Master Meter rate design, on May 9, May 23, and June 13. Discussions have thus far clarified the interested parties' positions and the parameters of a potential settlement compromise are beginning to take shape. The next settlement conference call is set for June 27.

5. Direct Access and Community Choice Aggregation Fees (SubGroup 8)

Two settlement conferences on DA/CCA fees have been held, on May 30 and June 14. A third call is set for June 27.

6. Standby plus Medium and Large Light and Power Rate Design

PG&E has scheduled an initial settlement conference on Standby rates, as well as Medium and Large Light and Power rate design, for July 20.

7. TOU Transition Issues for Solar Customers

PG&E has scheduled an initial settlement conference call on transition issues for solar customer for June 30. The initial discussion will include rate design for grandfathered TOU periods as well as rate design for RES-BCT (Local Government Renewable Energy Self-Generation Bill Credit Transfer).

III. PROPOSAL FOR ADDITIONAL SETTLEMENT STATUS REPORTS

The parties to the 2017 GRC Phase II proceeding are grateful to ALJ Cooke for issuing her March 31, 2017 Ruling granting flexibility in the Scoping Memo's previously proposed schedule to allow the parties to undertake settlement discussions, including those described in this status report.

It remains very important to allow adequate time for full discussion of all marginal cost, revenue allocation, and rate design issues prior to the service of rebuttal testimony, so as to either eliminate or significantly limit any issues that might remain unresolved after supplemental settlement discussions are completed. Because these issues are complex and require iterative analysis and careful consideration of impacts, the parties have not yet completed their discussions on many of the numerous issues involved in this proceeding.

Based on the progress made to date and the likelihood that further issues may be able to be resolved through settlement, the parties request that the ALJ allow further time for continued settlement talks. The parties request that the ALJ issue a follow-up ruling

soon to establish the following dates for further settlement status reports, which would continue to be filed at three-week intervals as follows:

July 13, 2017

August 3, 2017

August 24, 2017

September 14, 2017

Under this proposed follow-up settlement reporting schedule, by mid-September, the parties expect to be able to identify remaining unresolved issues that would require rebuttal testimony and evidentiary hearings. The parties recommend that the dates for rebuttal testimony and hearings be set at a Prehearing Conference in or about late September, using lead-time intervals paralleling those previously adopted in the Scoping Memo. This modified conceptual schedule should still allow for a final CPUC decision in Q1, 2018, yet would enable the issues needing to go to hearings next fall to be substantially narrower, thus achieving administrative efficiency for the CPUC and all parties.

Respectfully submitted,

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